Letter of Comment No: 64/8
File Reference: 1102-100



June 29, 2004

Director of Major Projects—File Reference No. 1102-100 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

We are pleased to comment on the Proposed Statement of Financial Accounting Standards, "Share-Based Payment." We support recognizing the fair value of stock options as compensation expense in financial statements.

We recognize the difficulties in valuing employee service when such service is obtained by wage or salary payments and also by issuance of a stock option. No cash changes hands for the option portion of the service. If the employee were given the direct choice of taking either additional cash compensation or the stock option, this would help to directly measure the perceived value of the stock option, but this rarely occurs. The difficulties in valuing the employee service provided in exchange for the stock option portion of total compensation led the Board to turn to option valuation models. As discussed in paragraph C16, the stock option value is based, conceptually, on what the Company "foregoes" by issuing the stock option to the employee rather than issuing similar stock options to third parties for cash (paragraph C17), and by then adjusting this value for vesting and other factors present in the stock option, as described in Appendix B. We support this concept. We also support the flexibility shown for nonpublic entities in allowing the use of intrinsic valuations with periodic remeasurement.

We urge the Board to develop and distribute an appropriate lattice pricing model, to support its contention in paragraphs C24, C45 and C46 about the availability and cost-benefit aspects of the software tools it is requiring entities of many different sizes to use.

If you have questions, please contact Jim Brown.

Very truly yours,

Crowe Chizek and Company LLC